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SUBJECT: NEW TRADE MINISTER STRONG ON PDS REFORM AND TRADE

Classified By: Ambassador Zalmay Khalilzad for reasons 1.4 (b) and (d).

¶1. (C) SUMMARY. On June 5, new Minister of Trade Abd al-Falah al-Sudani shared with Ambassador his strong support for reform of the Public Distribution System (PDS), reduction of corruption in the ministry, and economic policies favorable to international trade and to Iraq's accession into the World Trade Organization (WTO). Minister al-Sudani said that the Ministry's Directors General (DGs) will be kept on a "trial basis" and that he expects to make substantial changes in the ministry's leadership, based on performance rather than family or party affiliation. END SUMMARY.

MINISTER STRONG ADVOCATE FOR PDS REFORM

¶2. (SBU) In a June 5 meeting, Minister of Trade al-Sudani told Ambassador that the PDS badly needs reform, for which he welcomes USG assistance. Al-Sudani said that he is concerned that the current system encourages pervasive corruption and that he plans to "fix this problem." Minister al-Sudani added that he would like to see a one-year pilot project in which food basket items are reduced and the system is monetized to encourage private sector development. This pilot project, al-Sudani predicted, will demonstrate the system's effectiveness to the Council of Ministers and build trust in the new government.

OPEN TO ECONOMIC POLICIES FAVORABLE TO TRADE

¶3. (SBU) In order to bolster WTO accession efforts, Al-Sudani noted, Iraq needs economic policies and a legal framework that encourage free trade and foreign investment. Without these necessary changes, he added, Iraq's economy will continue to struggle. The Minister welcomed USG input and technical assistance on next steps in order to schedule Iraq's first WTO Working Party. He acknowledged Iraq's immediate need to appoint a WTO ambassador to Geneva, submit responses to questions on the Foreign Trade Memorandum (FTM), and name a permanent DG within MoT to coordinate inter-ministerial WTO efforts.

CAPACITY AND STAFFING AT THE MINISTRY

¶4. (C) Minister al-Sudani said that he wants to make "significant" staffing changes and currently is collecting resumes to fill DG and other leadership positions. Many of the current MoT DGs are being kept on a "trial basis," al-Sudani explained, to ensure that "corruption will not be tolerated." Al-Sudani assured us he would not appoint or keep ministry staff based on Dawa Party affiliation, only

those who are effective. The Minister welcomed USG assistance for capacity building, including a financial management system to improve internal controls (e.g., accounting), and reduce corruption in the Ministry.

COMMENTS

15. (C) COMMENT: Minister al-Sudani demonstrated a clear understanding of the need for PDS reform and the need to work with the Council of Ministers towards this end. Although he did not seem very familiar with Iraq's WTO accession efforts, he did appear eager to learn more and was receptive to USG assistance in this area. Al-Sudani likely will be a positive and cooperative interlocutor for the USG, evidenced by our past relationship with him as the former Minister of Education in the Iraqi Transitional Government (ITG). We welcome his "merit-based" approach to staffing and eagerness to take on corruption, but will wait to see how these plans translate into action. END COMMENT.
KHALILZAD